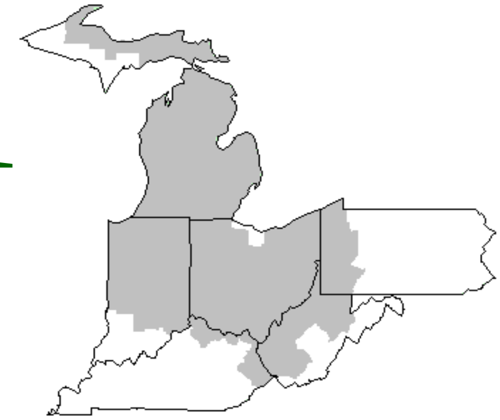
Mideast Market Administrator's

Bulletin

Federal Order No. 33



Sharon R. Uther, Market Administrator
Phone: (330) 225-4758 Toll Free: (888) 751-3220
Email: clevelandma1@sprynet.com
WebPage: www.fmmaclev.com

MAY 2020

Effects of COVID-19 on Dairy Markets and USDA's Response

It is clear that the COVID-19 pandemic has brought about disorderly market conditions in dairy markets. However, the extent of the problems is highly uncertain, and the situation continues to evolve. Although price data for milk and dairy products are available for March and April, supply and use data are not yet available.

Domestic demand for dairy products has declined due to the crisis. Americans facing financial hardship have likely scaled back consumption of some dairy products. In addition, Americans typically consume high proportions of cheese, butter, and other dairy products through food service establishments. With the shift to a greater proportion of at-home food consumption, people are eating less of these products. With reduced food-service demand and greater demand from supermarkets, supply chain bottlenecks have developed due to logistical and packaging issues. At the same time, the dairy industry is entering its peak season of milk production. Since dairy industry supply and demand shocks are happening around the world, global dairy trade is also affected, limiting the ability of U.S. suppliers to export dairy products.

Americans tend to consume much more fluid milk at home than at food-service outlets. However, school closures have hampered fluid milk sales to some extent. According to a report by USDA Agricultural Marketing Service (AMS) entitled *Packaged Fluid Milk Sales in Milk Order Markets*, distribution to schools accounted for 8 percent of fluid milk sales under Federal Milk Marketing Orders (FMMOs)1 in 2015. On March 26, USDA announced waivers that would give States the option to allow parents or guardians to take meals received through USDA's child nutrition programs, such as the National School Lunch Program, home to their children. Typically, children would need to be present to receive these meals. These waivers help families provide nutrition for their children and mitigate losses to the agricultural sector. For more information, see USDA Press Release 0206.20.

The dramatic decline in demand for dairy products has shocked milk processing channels. For the week ending April 10, USDA *Dairy Market News* (DMN) reported that farm milk production was steady to increasing, with mostly mild weather in all regions. Cheese, butter, and dry product inventories had all been growing. Food-service demand for cheese was extremely weak. Butter makers were looking outside of their localities for additional storage. Demand for fluid milk had been very strong a few weeks ago due to the retail rush related to COVID-19, but demand has since slowed drastically.

This overwhelming imbalance between supply and demand has caused considerable handling problems. Many loads of milk from various parts of the country are not being processed under these conditions. Such milk is often spread on fields as fertilizer, added to manure lagoons, or fed to animals.

By not processing some of the milk, the industry avoids incurring additional costs for producing, transporting, and storing products that have limited market value. For milk that would usually be pooled on a FMMO but currently has no market, USDA is providing flexibility at the request of the farmers' cooperative or non-cooperative milk handler. This milk may remain pooled on the FMMO, though the handler still bears the loss of the manufacturing value of that milk. If that handler is a farmer cooperative, as is most common, that loss is borne by its farmer-owners together.

Most U.S. milk is marketed through FMMOs. Federal Milk Marketing Orders (FMMOs) establish certain provisions under which dairy processors purchase fresh milk from dairy farmers supplying a marketing area. For more information, see the Federal Milk Marketing Orders web page on the AMS website.

Source: *Livestock, Dairy, and Poultry Outlook*, LDP-M-310, April 15, 2020 USDA, Economic Research Service

April 2020 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	574,972,832	32.9
Class II	288,820,113	16.5
Class III	531,482,988	30.4
Class IV	353,600,441	20.2
Total	1,748,876,374	100.0

Producer Prices

Producer Price Differential	$ 1.15	/ cwt
Butterfat Price	1.3218	/ lb
Protein Price	2.4822	/ lb
Other Solids Price	0.1793	/ lb
Somatic Cell Adjustment Rate	0.00070	/ cwt
Statistical Uniform Price	14.22	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

April 2020

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			562,857,247			$12.19 / cwt	$ 68,612,298.41
Class I Butterfat		12,115,585				1.9639 / lb	23,793,797.40
Class I Location Differential	574,972,832						(328,576.19)
Class II SNF Value				25,092,039		1.0611 / lb	26,625,162.56
Class II Butterfat		19,179,828				1.3288 / lb	25,486,155.44
Class III Protein Value			16,909,768			2.4822 / lb	41,973,426.12
Class III Other Solids Value					30,979,131	0.1793 / lb	5,554,558.18
Class III Butterfat		16,909,076				1.3218 / lb	22,350,416.65
Class IV SNF Value				31,058,266		0.7795 / lb	24,209,918.33
Class IV Butterfat		19,817,538				1.3218 / lb	26,194,821.74
Somatic Cell Value II / III / IV							1,593,167.69
TOTAL PRODUCER MILK VALUE	1,748,876,374	68,022,027	55,232,065		101,233,404		$ 266,065,146.33
Overages					96,769.69		
Beginning Inventory & OS Charges					(49,784.76)		
TOTAL ADJUSTMENTS							$ 46,984.93
TOTAL HANDLER OBLIGATIONS							$ 266,112,131.26
Total Protein Value			55,232,065	lbs @	$2.4822		$ (137,097,031.72)
Total Other Solids Value			101,233,404	lbs @	0.1793		(18,151,149.35)
Butterfat Value			68,022,027	lbs @	1.3218		(89,911,515.29)
Total Somatic Cell Values							(2,370,093.32)
TOTALS							$ 18,582,341.58
Net Producer Location Adjustments							$ 1,531,386.47
1/2 Unobligated Balance Producer Settlement Fund							726,000.00
Total - Divided by Total Pounds			1,748,876,374	lbs	1.1916067		$ 20,839,728.05
Rate of Cash Reserve					(0.0416067)		(727,649.75)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH* [1]			1,748,876,374		$ 1.15	/cwt	$ 20,112,078.30

COMPONENT PRICES

April	2020	2019
Butterfat Price	$1.3218 / lb	$2.5375 / lb
Protein Price	2.4822 / lb	1.9890 / lb
Other Solids Price	0.1793 / lb	0.1990 / lb
Somatic Cell Adjustment Rate	0.00070 / cwt	0.00082 / cwt
Nonfat Solids Price [2]	0.7795 / lb	0.7883 / lb

COMPUTATION OF UNIFORM PRICE

April	2020	2019
Class III Price - 3.5% BF	$13.07	$15.96
Producer Price Differential*	1.15	0.48
Statistical Uniform Price	$14.22	$16.44

CLASS PRICES

April	2020	2019
Class I*	$18.64	$17.76
Class II	13.87	16.38
Class III	13.07	15.96
Class IV	11.40	15.72

[1] Subject to Location Adjustment.

[2] Producers are not paid on this component.

CLASSIFICATION OF PRODUCER MILK

April	2020 Product lbs.	2019 Product lbs.
Class I	574,972,832	557,399,677
Class II	288,820,113	258,817,243
Class III	531,482,988	584,828,971
Class IV	353,600,441	251,473,285
Total	1,748,876,374	1,652,519,146

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for April 2020 was $1.15 and the Statistical Uniform Price was $14.22 for the month. The Statistical Uniform Price is $2.75 lower than last month, and is $2.22 lower than April 2019.

The Producer Butterfat Price of $1.3218 per pound decreased $0.5959 from March and is down $1.2157 from a year ago. The Protein Price of $2.4822 is down $0.3602 from last month and is up $0.4932 from April 2019. The Other Solids Price in April was $0.1793 per pound, an increase from last month's price of $0.1810 and $0.0197 lower than last April. The Somatic Cell Adjustment rate for April was $0.00070 per cwt.

April producer receipts of 1.75 billion pounds were 0.1 percent higher than March and 5.8 percent higher than April 2019 production of 1.65 billion pounds. Producer milk allocated to Class I accounted for 32.9 percent of the total producer milk in April 2020, lower than the 35.4 percent in March, and lower than the 33.7 percent in April 2019. A total of 3,950 producers were pooled on the Mideast Order compared to 4,023 producers pooled in April 2019.

The market average content of producer milk was as follows: Butterfat 3.89%; Protein 3.16%; Other Solids 5.79% and Nonfat Solids 8.95%.

Dairy Forecasts for 2020

Milk cow number estimates reported by NASS for January and February were higher than expected. As a result, the milk cow forecast for the first quarter of 2020 has been revised upward to 9.365 million head, 15,000 higher than last month's forecast. Due to the downturn in prices, milk cow numbers are expected to contract through the rest of the year. The annual average for the 2020 is 9.350 million head, 5,000 higher than last month's forecast. Lower expected prices will likely affect yields. Average milk per cow for 2020 is forecast at 23,765 pounds, a decrease of 15 pounds per cow.

The 2020 forecast for exports on a milk-fat basis is 8.9 billion pounds, 0.3 billion lower than last month's forecast. Exports on a skim-solids basis are forecast at 42.1 billion pounds, 1.8 billion lower than last month's forecast. Based on recent data and weaker expected global demand, expectations for exports of cheese, butterfat products, NDM and SMP, and lactose are lower. The 2020 forecast for imports on a milk-fat basis is 6.6 billion pounds, 0.2 billion lower than last month's forecast, as demand for butter and butterfat product imports is expected to be weaker. The annual forecast for imports on a skim-solids basis is unchanged at 5.6 billion pounds.

The forecast for domestic commercial use has been lowered to 217.0 billion pounds on a milk-fat basis, 1.2 billion lower than last month's forecast. The pandemic is expected to have large negative effects on cheese and butter demand. On a skim-solids basis, domestic use has been raised 0.6 billion pounds to 183.3 billion. Note that milk marketed but not processed is included in the 2020 forecasts for domestic commercial use. With weaker expected demand, stocks are expected to be substantially higher. The forecast for ending stocks has been raised from last month's forecast to 15.3 billion pounds on a milk-fat basis (+1.2 billion) and to 11.4 billion pounds on a skim-solids basis (+1.0 billion).

Based on recent price weakening and lower expected demand, 2020 price forecasts for cheese, butter, NDM, and dry whey have been lowered to $1.380 (-37.5 cents), $1.430 (-41.5 cents), $0.955 (-22.0 cents), and $0.345 per pound (-1.0 cent), respectively. With the lower expected wholesale prices for all of the major dairy products, the Class III milk price forecast has been lowered by $3.90 to $12.75 per hundredweight (cwt), and the Class IV price forecast has been lowered by $3.60 to $12.15 per cwt. The all-milk price forecast for 2020 is $14.35 per cwt, a reduction from last month's forecast of $18.25 per cwt.

Source: *Livestock, Dairy, and Poultry Outlook,* LDP-M-310, April 15, 2020 USDA, Economic Research Service

March Milk Production Up 2.4 Percent

Milk production in the 24 major States during March totaled 18.3 billion pounds, up 2.4 percent from March 2019. February revised production at 17.0 billion pounds, was up 5.6 percent from February 2019. The February revision represented a decrease of 7 million pounds or less than 0.1 percent from last month's preliminary production estimate. Adjusting February production for the additional day due to leap year causes February revised production to be up 1.9 percent on a per day basis.

Production per cow in the 24 major States averaged 2,072 pounds for March, 34 pounds above March 2019.

The number of milk cows on farms in the 24 major States was 8.85 million head, 64,000 head more than March 2019, and 5,000 head less than February 2020.

The Mideast Marketing Area has four states represented in the 24 major states used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during March totaled 2.5 billion pounds, up 111 million pounds or 4.6 percent from March 2019.

Production per cow in the Mideast states averaged 1,876 pounds for March, 104 pounds above March 2019.

The number of cows on farms in the Mideast states was 1.3 million head, 19,000 less than March 2019.

Bulletin WebPage Edition
www.fmmaclev.com

Featured this month are:

- Milk Production Statistics
- Dairy Product Production
- Commercial Disappearance of Milk in All Products

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
Federal Order No. 33

State	March 2020 Number of Producers	March 2020 Pounds of Milk (000)	March 2020 Butterfat	March 2020 Protein	March 2020 Other Solids	March 2020 SCC (000)	March 2019 Pounds of Milk (000)	March 2019 Butterfat	March 2019 Protein	March 2019 Other Solids	March 2019 SCC (000)
Michigan	975	899,740	3.89	3.18	5.80	148	863,445	3.90	3.20	5.81	165
Ohio	1,334	417,336	3.96	3.17	5.73	168	389,208	3.98	3.19	5.73	168
Indiana	679	228,589	3.93	3.17	5.82	162	219,893	3.87	3.17	5.78	177
New York	171	92,032	4.00	3.19	5.87	162	83,634	4.05	3.20	5.74	169
Pennsylvania	709	87,492	4.00	3.10	5.67	191	82,039	4.06	3.16	5.73	199
Other	146	22,608	3.84	3.11	5.76	197	26,112	3.89	3.13	5.74	220
Total/Average *	4,014	1,747,796	3.92	3.17	5.78	158	1,664,331	3.93	3.19	5.78	170

* Totals may not add due to rounding. Data provided on a one month delay basis and includes only milk from these states *pooled* on the Mideast order.

United States
Department of
Agriculture

Mideast Market Administrator Bulletin
1325 Industrial Parkway North
P.O. Box 5102
Brunswick, Ohio 44212

FEDERAL ORDER DATA
April 2020

	Marketing Area [1]	Producer Milk Total *(000)*	Producer Milk Class I *(000)*	Class I Percent *%*	Producer Price Differential *(per cwt.)*	Statistical Uniform Price *(per cwt.)*
FO 1	Northeast - (*Boston*)	2,309,496	688,684	29.8	$1.85	$14.92
FO 5	Appalachian - (*Charlotte*)	446,118	317,661	71.2	[2]	17.49
FO 6	Florida - (*Tampa*)	216,371	167,927	77.6	[2]	19.35
FO 7	Southeast - (*Atlanta*)	386,784	268,509	69.4	[2]	17.75
FO 30	Upper Midwest - (*Chicago*)	2,704,017	222,436	8.2	0.24	13.31
FO 32	Central - (*Kansas City*)	1,598,649	388,532	24.3	0.44	13.51
FO 33	**Mideast - (*Cleveland*)**	**1,748,876**	**574,973**	**32.9**	**1.15**	**14.22**
FO 51	California - (*Los Angeles*)	1,981,747	420,396	21.2	(0.13)	12.94
FO 124	Pacific Northwest - (*Seattle*)	621,568	138,290	22.3	0.08	13.15
FO 126	Southwest - (*Dallas*)	1,163,331	333,195	28.6	1.15	14.22
FO 131	Arizona - (*Phoenix*)	441,416	96,244	21.8	[2]	13.33

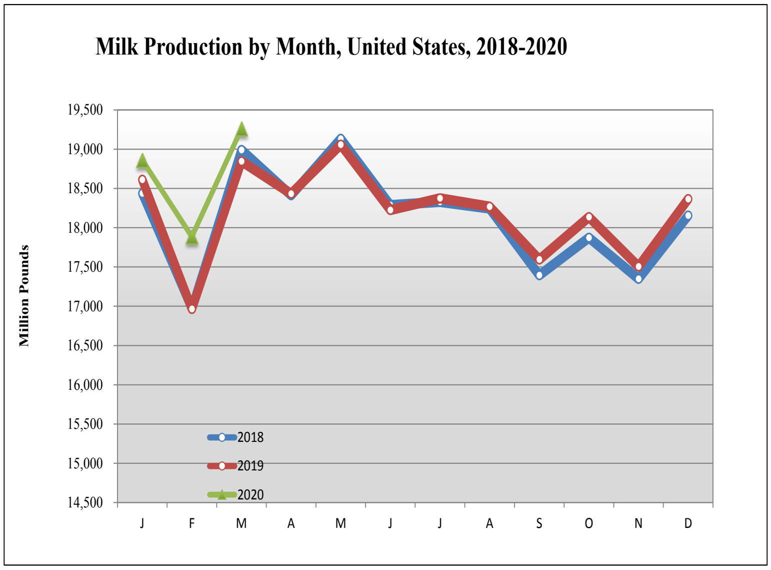
[1] Names in parentheses are principal points of markets.

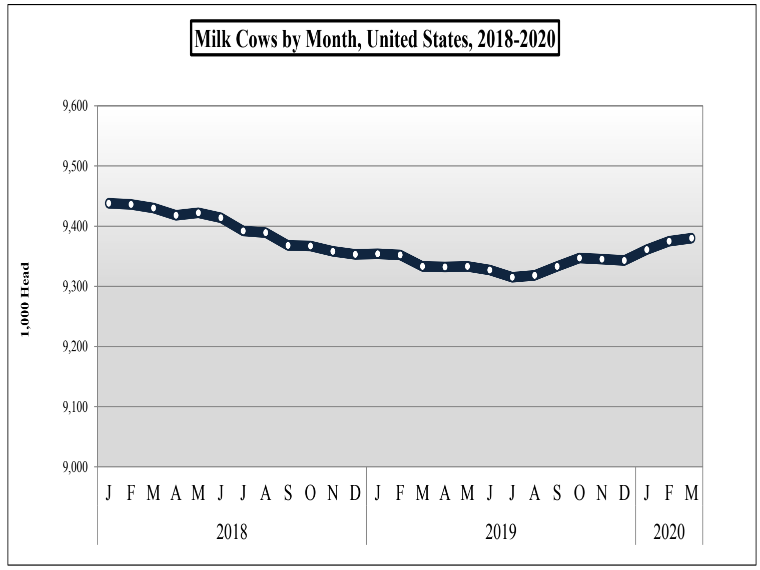
[2] Producers in these markets are paid on the basis of a uniform skim and butterfat price.

MINIMUM PARTIAL PAYMENT PRICE FOR MAY 2020.................................$11.40 /cwt.

Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 May 2020

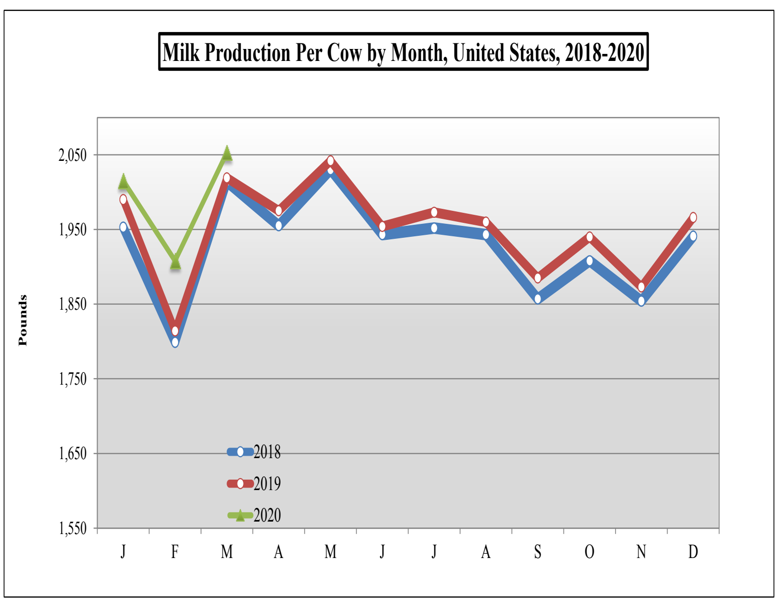
MILK PRODUCTION STATISTICS 1/

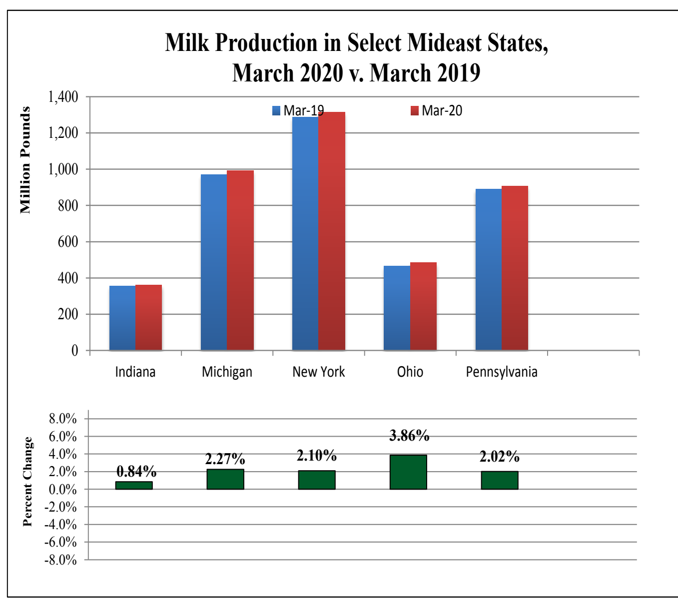




March 2020 milk production in the United States increased 1.4 billion pounds from February to 19.3 billion pounds. March 2020 milk production in the United States was up 2.2

The number of milk cows on farms in the United States was 9.4 million head for March 2020, up 5,000 head from February and up 47,000 head from March 2019.





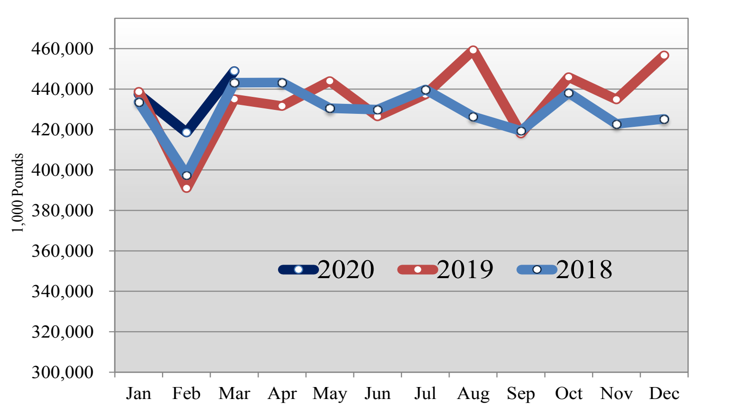
Production per cow in the United States averaged 2,053 pounds for March 2020, up 145 pounds from February 2020. March 2020 milk production per cow was up 34 pounds from the same month of the prior year.

Milk production from selected states which pool on the Mideast marketing area totaled 4.1 billion pounds during March 2020, up 88 million pounds from the prior year. Milk production in Michigan was up 22 million pounds while production in Ohio was up 18 million pounds or 3.86 percent.

1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA). Gaps is data in figures is due to NASS suspension of select data to meet sequestration requirements.

DAIRY PRODUCT PRODUCTION 1/

Total American Cheese Production, 2018-2020



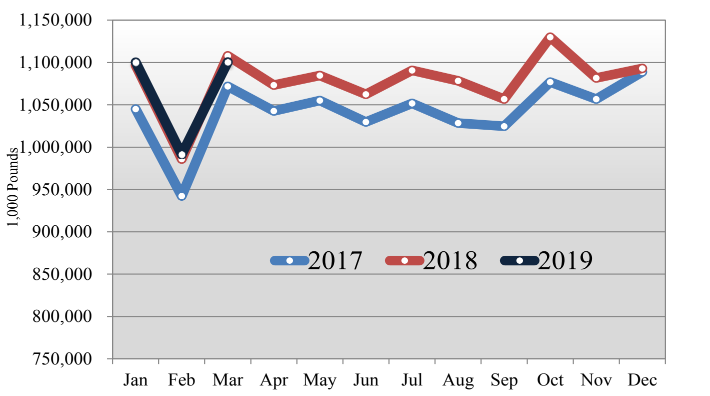
Dairy Product Production Summary:

Total cheese output (excluding cottage cheese) for March 2020 was 1.1 billion pounds, 2.2 percent above March 2019 and 9.0 percent above February 2020.

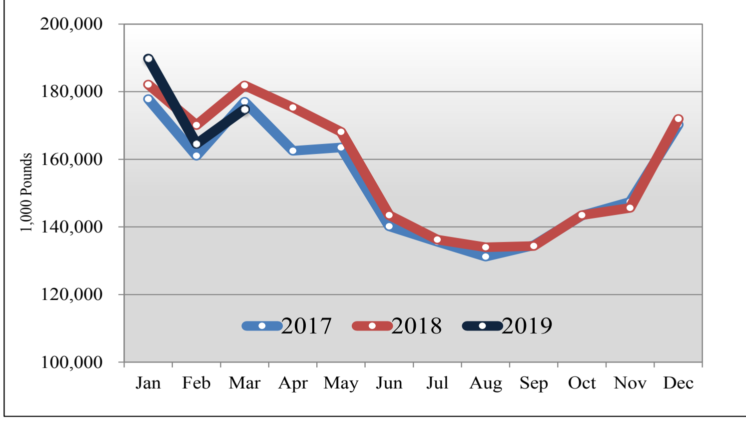
American type cheese production totaled 449 million pounds, 3.2 percent above March 2019 and 7.2 percent above February 2020.

Butter production was 194 million pounds, 11.1 percent above March 2019 and 3.3 percent above February 2020.

Total Cheese Production, 2017-2019



Total Butter Production, 2017-2019



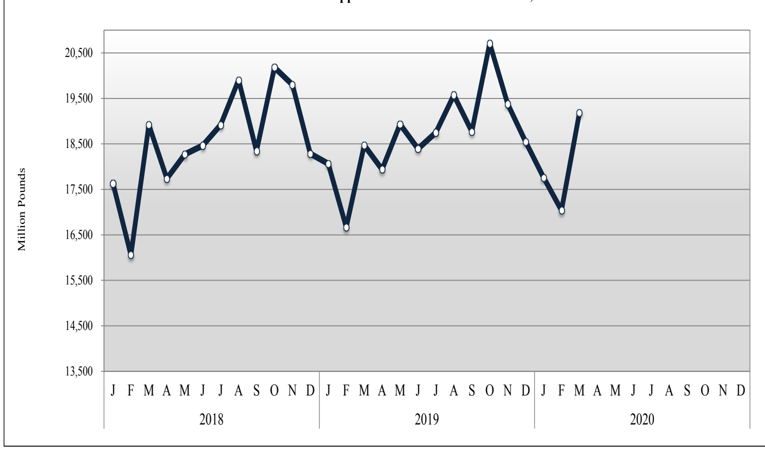
COMMERCIAL DISAPPEARANCE 2/

Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For March 2020, commercial disappearance of milk was 19.2 billion pounds, up 4.2 percent from the prior year. The cumulative disappearance total for 2020 is 54 billion pounds, an increase of 1.4 percent from the same 3-month period of 2019.

March 2020 commercial disappearance of American cheese was 452 million pounds, up 2.2 percent from the prior year. March 2020 commercial disappearance of butter was 189.5 million pounds, up 26.9 percent from the prior year.

Commercial Disappearance of Milk in All Products, 2018-2020



1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).
2/ Sources: NASS, ERS, FAS, FSA, Bureau of Census, and ERS calculations.